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ANNUAL AUDITED REPORT **FORM X-17A-5** PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING $[-1-2004]$ AND ENDING $[1-3/-2004]$						
MM/DD/YY MM/DD/YY						
A. REGISTRANT IDENTIFICATION	-					
NAME OF BROKER-DEALER: SSI Equity Services, The. OFFICIAL USE O	NLY					
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) FIRM I.D. NO						
475 International Dr.						
Williamsville NewYork 1421						
(City) (State) (Zip Code)						
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT 7/1-134-7777						
(Area Code - Telephone No	ımber)					
B. ACCOUNTANT IDENTIFICATION						
INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*						
(Name - if individual, state last, first, middle name)	,					
171 Sully's Trail Pittsford New York 14534	<u> </u>					
(Address) (City) (State) (Zip Code)						
CHECK ONE: Certified Public Accountant						
□ Public Accountant □ Public Accountant						
Accountant not resident in United States or any of its possessions.						
FIVARCE						
FOR OFFICIAL USE ONLY	\dashv					

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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SEC 1410 (06-02)

OATH OR AFFIRMATION

Ι,		Thomas	Long				_, swear (or affirm)) that, to the best of
my	kno			panying finan	ncial statement ar	nd supporting sc	hedules pertaining t	o the firm of
of		12-31						wear (or affirm) that
nei	ther	the company no	r any partne	r, proprietor,	•		any proprietary inter	
		ed solely as that o			-			·
					_	117	Signature	
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×	Scv	Notary Pu	<u>Inefo</u>	Notary Pu Qual	IDRA L. OREFICE ublic, State of New Y ified in Erie County sion Expires July 3,			
Th		oort ** contains (Facing Page.	check all ap	plicable boxe	es):			
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		Statement of Ch			uon. quity or Partners	' or Sole Proprie	etors' Canital	
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		Computation of						
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	` '		_		Control Require			Rule 15c3-3 and the
	U)						oit A of Rule 15c3-3	
	(k)							espect to methods of
		consolidation.						
	` '	An Oath or Affi A copy of the Sl		antal Darast				
						t or found to have	e existed since the da	te of the previous audit.

^{**}For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Financial Statements as of December 31, 2004 and 2003 Together with Independent Auditors' Report

Bonadio & Co., LLP Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

January 31, 2005

To the Board of Directors of SSI Equity Services, Inc.:

We have audited the accompanying balance sheets of SSI Equity Services, Inc. (a New York corporation) as of December 31, 2004 and 2003, and the related statements of operations, changes in stockholders' investment, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SSI Equity Services, Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Exhibits I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bonzalio Elv. LLP

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BALANCE SHEETS DECEMBER 31, 2004 AND 2003

	:	2004	2003	
ASSETS				
CURRENT ASSETS: Cash Commissions receivable	\$	12,712	\$	22,057 315
		12,712		22,372
Deferred tax asset		1,130	<u></u>	
	\$	13,842	\$	22,372
LIABILITIES AND STOCKHOLDERS' INVESTMENT				
CURRENT LIABILITIES:				
Commissions payable Accrued income taxes	\$		\$	220 1,822
		-		2,042
STOCKHOLDERS' INVESTMENT: Common stock, \$50 par value, 200 shares				
authorized, issued and outstanding Retained earnings		10,000 3,842		10,000 10,330
		13,842		20,330
	\$	13,842	\$	22,372

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>			<u>2003</u>		
COMMISSION REVENUE	\$	27,711	\$	13,758		
OPERATING EXPENSES: Commissions Agent expense reimbursement Professional fees Insurance Dues subscriptions and licenses Other		10,264 4,924 3,575 4,652 11,011		4,837 391 6,380 - 6,467 15		
		34,426		18,090		
LOSS BEFORE INCOME TAXES		(6,715)		(4,332)		
INCOME TAXES		227		1,343		
NET LOSS	\$	(6,488)	\$	(2,989)		

STATEMENTS OF CHANGES IN STOCKHOLDERS' INVESTMENT FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Common Stock						
	Shares	Amount		Retained <u>Earnings</u>		<u>Total</u>	
BALANCE - December 31, 2002	200	\$	10,000	\$	13,319	\$	23,319
Net loss			_		(2,989)		(2,989)
BALANCE - December 31, 2003	200		10,000		10,330		20,330
Net loss				_	(6,488)		(6,488)
BALANCE - December 31, 2004	200	\$	10,000	\$	3,842	\$	13,842

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOW FROM OPERATING ACTIVITIES: Net loss Adjustments to reconcile net loss to net cash flow from operating activities:	\$ (6,488)	\$ (2,989)
Deferred taxes	(1,130)	(3,265)
Changes in: Commissions receivable Commissions payable Accrued income taxes	 315 (220) (1,822)	 17,221 40 1,822
Net cash flow from operating activities	 (9,345)	 12,829
CHANGE IN CASH	(9,345)	12,829
CASH - beginning of year	 22,057	 9,228
CASH - end of year	\$ 12,712	\$ 22,057

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

1. THE COMPANY

SSI Equity Services, Inc. (the Company) is a member of the National Association of Securities Dealers and is a registered broker/dealer. The Company sells securities primarily in the upstate New York area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting -

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States.

Cash -

Cash consists of deposits in bank checking accounts. The Company believes it is not exposed to any significant credit risk with respect to cash.

Revenue Recognition -

Mutual fund commissions are recognized on an accrual basis as customer funds are submitted for investment.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to the valuation of a net operating loss carryforward for income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

The benefit from income taxes is as follows:

		<u>2003</u>		
Income tax currently due Deferred income tax	\$	(903) 1,130	\$	(1,922) 3,265
	\$	227	<u>\$</u>	1,343

3. INCOME TAXES (Continued)

The Company has a net operating loss carryforward of approximately \$7,500 at December 31, 2004. This carryforward will begin to expire in 2024.

Cash paid for income taxes totaled \$2,725 and \$100 in 2004 and 2003, respectively.

EXCESS NET CAPITAL DECEMBER 31, 2004

Pursuant to Rule 15c3-1 of the Securities and Exchange Commission (the Net Capital Rule), the Company has the following excess net capital at December 31, 2004:

TOTAL ASSETS		\$		13,842
Less: Total liabilities				
NET WORTH				13,842
Less: Non-allowable assets		_		
NET CAPITAL				13,842
NET CAPITAL REQUIREMENTS:				
6-2/3% of aggregate indebtedness	\$	<u>-</u>		
Minimum requirement	\$ 5	5,000		
Greater of above		_		(5,000)
EXCESS NET CAPITAL		\$) 	8,842
The audited computation of net capital pursuant to Rule 15c3 unaudited net capital reported by the registrant as follows:	-1 as reporte	ed herein o	liffers	from the
UNAUDITED NET CAPITAL AT DECEMBER 31, 2004		\$	3	12,712
AUDITORS' ADJUSTMENT Deferred tax asset for net operating loss carryforward		_		1,130
AUDITED NET CAPITAL AT DECEMBER 31, 2004		9	<u> </u>	13,842

EXEMPTIVE PROVISION UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION DECEMBER 31, 2004

The Company does not affect transactions for anyone defined as a customer under Rule 15c3-3. Accordingly, there are no items to report under the requirements of this Rule.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

January 31, 2005

To the Board of Directors of SSI Equity Services, Inc.:

In planning and performing our audit of the financial statements of SSI Equity Services, Inc. (a New York corporation) for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's objectives as stated in Rule 17a-5(g). Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE (Continued)

Because of inherent limitations in internal control structure or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including control activities or safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Bonalus LO LLP